

BHP 2023 Formula Rate True-Up Meeting

June 2024





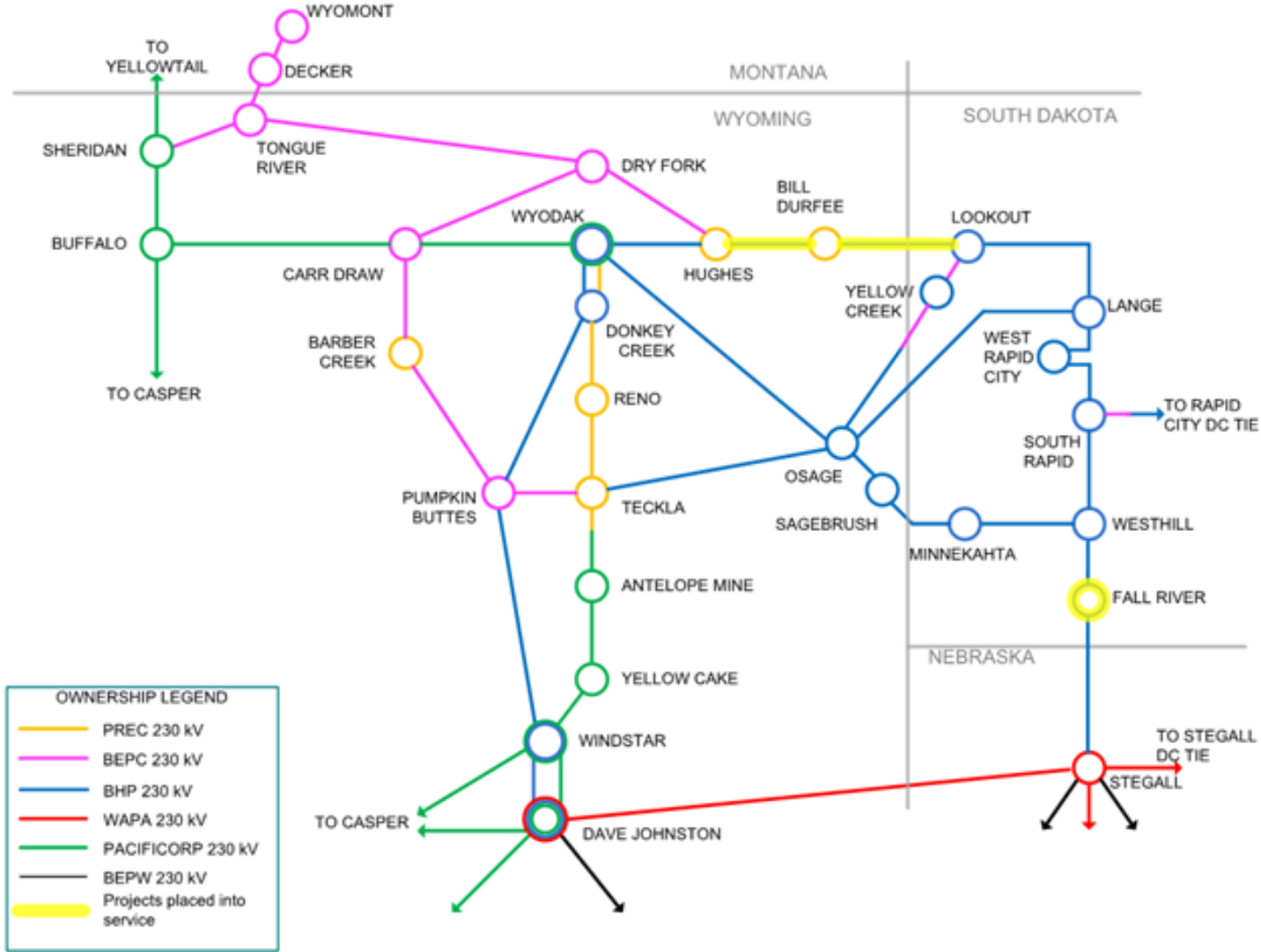
Agenda

- Introductions
- CUS Transmission System Overview
- CUS Protocols
- Discuss the 2023 Annual True-Up
 - Summary of Key Drivers
 - 2023 Actual vs Estimated
 - Adjustments to FERC Form 1 Data
 - Changes to References in the Formula
 - Workpapers Provided for the True-Up
- Where to Find Information and be Engaged
- Questions & Comments

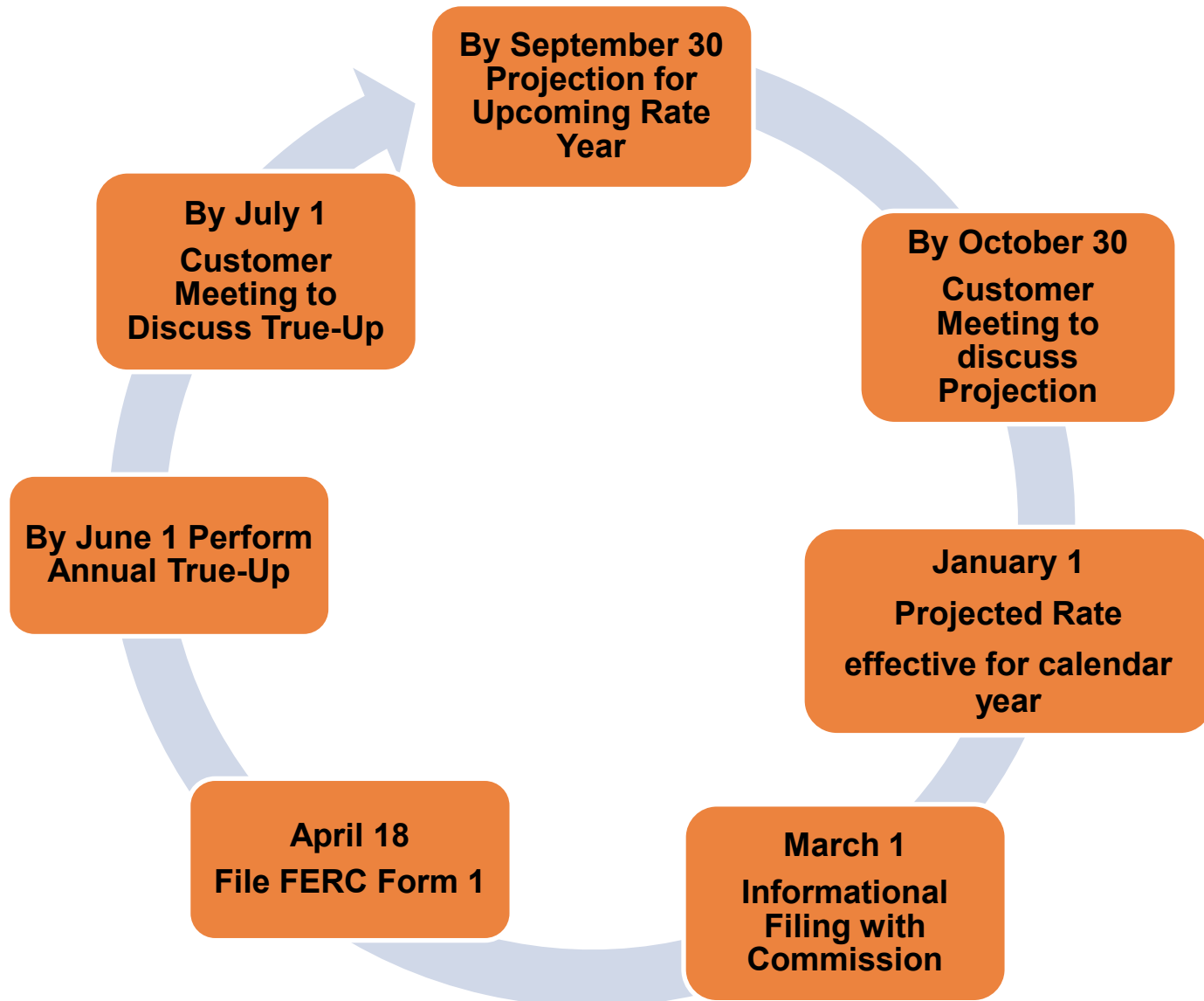
CUS Transmission System

- The Common Use System (CUS) is a jointly operated transmission system. The CUS participants include Basin Electric Power Cooperative, Black Hills Power Inc. and Powder River Energy Corporation.
- The CUS has filed a joint open-access transmission tariff with FERC that provides transmission service over these combined assets and that consist of 230 kV transmission facilities and limited 69 kV transmission facilities, primarily located within areas of Southwestern South Dakota and Northeastern Wyoming.

Common Use System



Formula Rate Protocols



Summary of Key Drivers

- Decrease in total annual revenue requirement of \$1.4 million from the 2023 estimate.
- Rate Drivers:
 - FERC approved Black Hills Power's Order 864* compliance filing which added two worksheets to the tariff and will facilitate transparent tracking of BHP's annual amortization of Excess Deferred Income Tax, which is included in the income tax amount.
 - The FERC order also approved a one-time refund relating to the 2017 TCJA.
 - The one-time refund includes accrued EDIT from 2018-2022 of \$1,424,897, and
 - The 2023 current year amortization of EDIT of \$650,867.
 - O&M expenses in actuals were lower than projected driven by lower depreciation expense and property taxes due to actual plant being lower than projected plant

*Black Hills Power, Inc., Docket No. ER20-1128-001



2023 Projected Revenue Requirement Compared to Actual

	2023 Actual	2023 Estimated	2023 True-up Variance from Estimate
Black Hills Power Attachment H			
1 Average Transmission Rate Base	\$ 192,841,724	\$ 180,567,845	\$ 12,273,879
2 Weighted Rate of Return	8.76%	8.77%	
1 Return on Average Rate Base	16,896,234	15,829,020	\$ 1,067,214
2 Operating Expenses			
3 Operations & Maintenance	\$ 4,997,717	\$ 5,342,962	\$ (345,245)
4 Depreciation	6,472,380	6,641,501	(169,122)
5 Taxes Other Than Income	1,561,538	1,713,439	(151,901)
6 Total Operating Expenses	\$ 13,031,634	\$ 13,697,903	\$ (666,268)
7 Income Taxes	\$ 1,079,908	\$ 2,954,821	\$ (1,874,914)
8 Total Revenue Requirement	<u>\$ 31,007,776</u>	<u>\$ 32,481,744</u>	<u>\$ (1,473,968)</u>
Component Annual Revenue Requirements			
9 Black Hills	\$ 31,007,776	\$ 32,481,744	(1,473,968)
10 Basin Electric	16,482,130	16,482,130	-
11 PRECorp	2,123,466	2,123,466	-
12 Total Annual Revenue Requirements	\$ 49,613,372	\$ 51,087,340	\$ (1,473,968)
13 Revenue Credits	(1,081,814)	(799,486)	(282,328)
14 Net Annual Revenue Requirements	<u>\$ 48,531,558</u>	<u>\$ 50,287,854</u>	<u>\$ (1,756,296)</u>
15 Network Load kW per Year	966,972	968,667	(1,695)
16 Rate (\$/kW-Yr)	\$ 50.19	\$ 51.91	\$ (1.73)

Adjustments to FERC Form 1 data

- Black Hills calculated the 2023 True-Up with the following modifications to data from the FERC Form 1:
 - Plant in Service and associated Accumulated Depreciation balances by Functional categories were evaluated to ensure the following were excluded from rate base:
 - Horizon Point Company Headquarters
 - Asset Retirement Obligation
 - Right of Use Operating Lease
 - In prior true-ups, Black Hills Power manually calculated a workpaper to show a reconciliation between state approved and FERC approved depreciation rates in its determination of accumulated depreciation.
 - Black Hills Power has implemented a software solution that allows the Company to calculate FERC accumulated reserve at the utility account level.
 - As such, this information is now sourced directly from the FF1.
 - This information is included on page 219 of the FF1, including the footnote in section B.
 - A reconciliation of accumulated depreciation to account for the difference between state depreciation rates and FERC deprecation rates can be found on WP13 in the supplemental supporting schedules.

Changes in Formula Rate References (changes in page and line numbers for FERC Form 1)

- ❑ Over the years FERC has changed pagination and display related to the FERC Form 1; this includes formatting changes in 2021 due to FERC's Conversion to XBRL.
- ❑ Any changes in the references between the template, as filed, and the FERC Form 1 can be seen in 2023 BHP Attach H True-Up Supplemental Supporting Schedules file (Cost of Service References tab).
- ❑ Thus far, FERC has not taken the position that Transmission Providers need to make changes to their templates to accommodate the reference changes

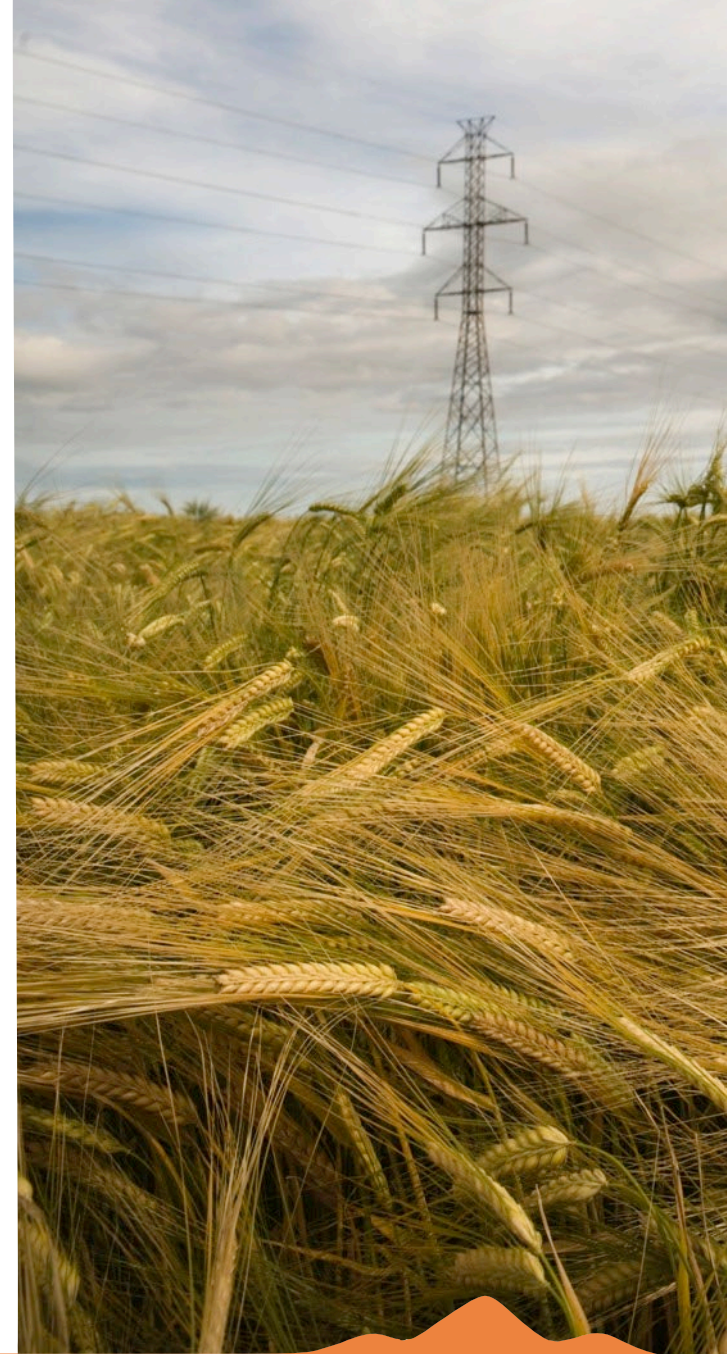
Workpapers Provided for ATRR True-Up

- Supplemental Supporting Schedules
 - Cost of Service References - changes in FERC Form 1 references
 - Capital True Up References - True-Up timing processes and FERC interest rates
 - BHP WP1 A&G – adjustments and details for specific A&G expenses
 - BHP WP4 Transmission Assets - excluded plant
 - BHP WP9 Accum Depr - General and Intangible accumulated depreciation
 - BHP WP10 Plant in Service - General and Intangible plant in service
 - BHP WP11 Property Tax Expense - property tax adjustment for Horizon Point
 - BHP WP12 ADIT - the ADIT adjustment for Horizon Point and depreciation
 - BHP WP13 Accum Depr – Conversion from Book Depr to FERC Depr
 - EDIT-DDIT – the EDIT/DDIT Tracking and Amortization for the Tax Cuts and Jobs Act of 2017 (TCJA)
- EDIT-DDIT Remeasurement Detail – initial remeasurement of ADIT balance after the TCJA
- 2023 BHP True-Up Tie Out to FF1 – reconciliation of plant and accumulated depreciation balances from the True-Up to the FERC Form 1

How to be Engaged

We invite our transmission customers to sign up to receive notices related to the Projected Net Revenue Requirement and Annual True-Up. A notification will be sent by email whenever there is an update. These notifications are also posted on our OASIS site. <https://www.oasis.oati.com/BHBE/index.html>

- To sign up for the notices go to our website www.blackhillsenergy.com. On the top left click on 3 orange lines then *Our company*. Next under *Transmission*, click *Learn More*. Then under FERC & Transmission Rates click on *Learn More*. Under *Black Hills Power* click on *Learn More*. At the top click on *Sign up for notices*. Key in your email address, name and click *Subscribe*.
- If you have any questions please contact us on our transmission line at 605-721-2220 or email Transmissionservice@blackhillscorp.com.



Questions





Comments / Suggestions

Electric Transmission Services

Transmissionservice@blackhillscorp.com

BIG 4 STRATEGIC PRIORITIES

OUR WINNING ASPIRATION:

Be the trusted energy partner across our growing footprint.

